

DETERMINANTS OF DIGITAL SERVICE TAX COMPLIANCE BY E-COMMERCE RETAILING FIRMS IN KENYA

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DECLARATION

I, the undersigned hereby affirm that this research project is my original work and has not been previously submitted in part or full to any other institution of learning for the award of any certificate.


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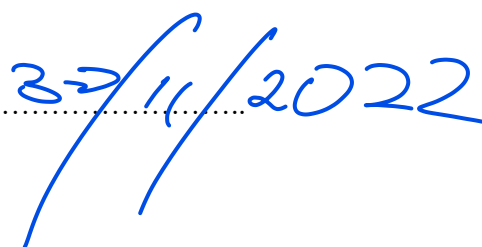
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This research project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

This research project is dedicated to my loving husband Byron M Onditi and mentors in appreciation of the support, encouragement and motivation they offered me during the progress of my studies. They placed a strong foundation for my education. With God all things are possible.

TABLE OF CONTENTS

DECLARATION.....	ii
ACKNOWLEDGEMENTS	iii
DEDICATION.....	iv
ABBREVIATIONS AND ACRONYMS.....	x
ABSTRACT.....	xi
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study.....	1
1.1.1 Digital Service Tax.....	2
1.1.2 Determinants of Digital Service Tax Compliance.....	3
1.1.3 E-Commerce Retailing in Kenya.....	4
1.2 Research Problem.....	6
1.3 Research Objectives	8
1.4 Value of the Study.....	8
CHAPTER TWO: LITERATURE REVIEW.....	10
2.1 Introduction	10
2.2 Theoretical literature Review	10
2.2.1 Allingham-Sandmo Theory	10
2.2.2 Fiscal Exchange Theory	11
2.3 Empirical Literature Review	12
2.4 Conceptual Framework.....	15

CHAPTER THREE: RESEARCH METHODOLOGY	16
3.1 Introduction	16
3.2 Research Design.....	16
3.3 Target Population	16
3.4 Sampling Technique.....	16
3.5 Data Collection.....	17
3.6 Diagnostic Tests	18
3.6.1 Multi-collinearity Test.....	18
3.6.2 Normality Test.....	19
3.6.3 Heteroscedasticity Test.....	19
3.6.4 Autocorrelation.....	20
3.7 Data Analysis	20
3.7.1 Measurement of Variables.....	21
3.7.2 Test of Significance	22
CHAPTER FOUR: DATA ANALYSIS, RESULTS, AND INTERPRETATION	23
4.1 Introduction	23
4.2 Response Rate	23
4.3 Descriptive Statistics	24
4.3.1 Tax Rate Descriptive Statistics.....	24
4.3.2 Attitude and Perceptions Descriptive Statistics.....	25
4.3.3 Income Level Descriptive Statistics	27

4.3.4 Enforcement Measures Descriptive Statistics	28
4.3.4 Tax Knowledge Descriptive Statistics.....	30
4.3.5 Digital Service Tax Compliance Descriptive Statistics.....	32
4.4 Diagnostic Tests	34
4.4.1 Normality Test.....	35
4.4.2 Test for Homoscedasticity	35
4.4.3 Test for Multicollinearity.....	36
4.4.4 Tests for Autocorrelation.....	37
4.5 Inferential Statistics.....	38
4.5.1 Correlation Analysis.....	38
4.5.2 Multiple Linear Regression	40
4.6 Interpretation and Discussion of Findings	42
CHAPTER FIVE: SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS.....	48
5.1 Introduction	48
5.2 Summary	48
5.3 Conclusion.....	50
5.4 Recommendations for Policy and Practice.....	50
5.5 Limitations of the Study.....	51
5.6 Recommendations for Further Study	52
REFERENCES.....	54
APPENDICES.....	60

Appendix I: Research Questionnaire.....60

LIST OF TABLES

Table 4.1: Study Response Rate	23
Table 4.2: Tax Rate Descriptive Statistics	25
Table 4.3: Attitudes and Perceptions Descriptive Statistics	26
Table 4.4: Income Level Descriptive Statistics	28
Table 4.5: Enforcement Measures Descriptive Statistics	29
Table 4.6: Digital Services Tax Awareness	30
Table 4.7: Tax Knowledge Descriptive Statistics.....	31
Table 4.8: Digital Services Tax Registration	32
Table 4.9: Digital Services Tax Descriptive Statistics.....	33
Table 4.10: Normality Test.....	35
Table 4.11: Test for Homoscedasticity	36
Table 4.12: Multicollinearity Statistics.....	36
Table 4.13: Autocorrelation Test	37
Table 4.14: Correlation Analysis	39
Table 4.15: Multiple Linear Regression Analysis	41

ABBREVIATIONS AND ACRONYMS

CA Communication Authority of Kenya

CBK Central Bank of Kenya

DST Digital Service Tax

GDP Gross Domestic Product

ICT Information and Communication Technology

IT Information Technology

KNBS Kenya National Bureau of Statistics

KRA Kenya Revenue Authority

ABSTRACT

The expansion of e-commerce has a direct link to an increase in online sales, tax collections and revenue generation in many countries of the world. E-commerce global trade volume continues to grow annually in many countries and has gained increasing importance between 2000 and 2020 and beyond. Equally, the Covid-19 pandemic around 2020 and beyond had contributed immensely to the accelerated growth, spread, adoption and utilization of e-commerce via the available e-commerce platforms globally. Changes in the international trading policies and electronic taxation practices now require e-commerce platform operators to pay sales tax and users to pay VAT. The tax payments reflect the users' compliance with tax obligations for their countries' economic growth and revenue generation. The objective of the current study was to establish how selected determinants affect digital tax compliance by e-commerce retailing firms in Kenya. The determinants considered in the current study were; tax rate, attitude and perceptions, income level, enforcement measures, and tax knowledge. It also aimed at reviewing the increasing body of theoretical and empirical studies that have endeavoured to examine tax compliance. The target population was 100 e-commerce retailing firms in Kenya. A convenience and purposive sampling technique was used to identify and pick the e-commerce retailing firms. Primary sources of data, utilizing a closed ended questionnaires as the study data collection tool, were employed. This was a cross-sectional study. The study applied both descriptive statistics as well as inferential statistics that entailed correlation and multiple linear regression analysis. The current study findings revealed that most of the online retailers were aware of digital services tax and that tax knowledge augments compliance to a moderate extent. The study findings further revealed that majority of the online retailers have registered their respective businesses for digital services tax and that the online retailers, to a moderate extent, comply with the digital services tax. Further findings were that that enforcement measures and tax knowledge are significantly positively correlated to digital tax compliance. However, the study findings revealed that tax rates, attitude and perceptions, and income levels are not significantly correlated to digital tax compliance. Additional findings were that the determinants entailing; tax rates, attitude and perceptions, income levels, enforcement measures, and tax knowledge, significantly influence and can be utilized to predict digital tax compliance. The final findings were that none of the determinants of digital tax compliance, in isolation, significantly influence digital tax compliance. Tax rate, income level, enforcement measures, and tax knowledge have a positive insignificant influence while attitude and perceptions have a negative insignificant relationship on digital tax compliance. Policy and practice recommendations were made to the policy makers in the Treasury and the board of the Kenya Revenue Authority to set optimal digital service tax rates so as to enhance compliance. Additional recommendations are made to the policy makers to augment tax education geared towards changing the tax payers' attitudes and perceptions towards the current digital service tax. Final recommendations are made to the policy makers not to utilize any determinant of digital tax compliance in isolation but to utilize all of them in unison in order to augment digital tax compliance. Recommendations are also made to consultants and online retailer firms' management to comply with regards to digital tax as non-compliance can lead to high penalties as a result of enforcement. Additional recommendations are also made to the practitioners to try to gather tax knowledge to enable compliance to the digital tax.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The expansion of e-commerce has a direct link to an increase in online sales, tax collections and revenue generation in many countries of the world (Argilés-Bosch, Somoza, Ravenda, & García-Blandón, 2020; Baozhuang, Mu, Cao, & Gao, 2021; Niu, Deng, & Hao, 2020). E-commerce global trade volume continues to grow annually in many countries and has gained increasing importance between 2000 and 2020 and beyond (Christie, 2021; Escursell, Llorach- Massana, & Roncero, 2021; Scarcella, 2020). Equally, the Covid-19 pandemic around 2020 and beyond had contributed immensely to the accelerated growth, spread, adoption and utilization of e-commerce via the available e-commerce platforms globally (Kumar, Lim, Pandey, & Christopher Westland, 2021). Changes in the international trading policies and electronic taxation practices now require e-commerce platform operators to pay sales tax and users to pay VAT (Harbolt, 2019; Hermawan & Sinaga, 2020; Kahiigi & Semwanga, 2020; Zhang & Choi, 2020). The tax payments reflect the users' compliance with tax obligations for their countries' economic growth and revenue generation.

The current survey was under the umbrella of these theories: Allingham-Sandmo Theory (Allingham & Sandmo, 1972) and Fiscal Exchange Theory (McKerchar & Evans, 2009). The above two suppositions gave the most suitable framework that guided the current study. To discuss the taxpayers' compliance as determined by multiple elements which serve as predictors of the costs of tax evasion including the advantages that come in handy Allingham-Sandmo Theory was employed while Fiscal Exchange Theory attempted to illustrate how taxpayers' perception of how well the government provides public goods and services influences their tax compliance behaviour

Compliance to tax is a crucial policy and matter of the government especially in third world nations for various purposes. Firstly, it is an engine in any local governments and state (Slemrod, 2015). Like in Kenya it is the leading and the only revenue source for the nation. Also, taxation is the only possible mean in future to help a country to against depending on other developed nations. The treasury of Kenya has acknowledged that the economy linked to digital as among of interest in raising the tax for to increase the revenue during. On top of the usual channels of collecting income tax, abrupt hike in business including digital services such as on-line blogs, e-commerce, web advertising along with social media are yet to be taxed appropriately.

1.1.1 Digital Service Tax

This is revenue generated from income earned out of services provided on a digital marketplace within a specific power. While treaties of tax and other understanding commonly explain a link and found the rights of taxing between partners of trading, main nation of Europe and other economies around the world declaring an association of ideas- the presence of digital- to examine the rights to tax on a given activities linked to digital. Digital Service Tax (DST) looks forward to be changes its activates such as tax collection, nevertheless, there are other ways that can be adopted to collect the revenue on the services of digital like withholding taxes. The used bas for tax is also different, betting of rom online or hospitality that is done online like Airbnb, to majorly more wide methods like in France, that imposes a 3% tax on the revenue. Without considering their method, there the taxes of gross revenue lack proper structure that can help to achieve both high tax rates as well as taxing the same input several times irrespective of the profit margin of a company as the cost of production can be removed. It is crucial to differentiate DSTs from other indirect tax, like value-added taxes.

Changes in the international trading policies and electronic taxation practices now require e-commerce platform operators to pay sales tax and users to pay VAT (Harbolt, 2019; Hermawan & Sinaga, 2020; Kahiigi & Semwanga, 2020; Zhang & Choi, 2020). The tax payments reflect the users' compliance with tax obligations for their countries' economic growth and revenue generation. Unfortunately, the digitalisation of the economies has raised a serious concern about the fundamental rules governing the enforcement of e-commerce taxation of business profits (Scarcella, 2020; Turina, 2020). Digitalisation's concern is because most tax legislation was enacted initially with no e-commerce in mind instead of the mere physical world. Nevertheless, it is challenging to enforce tax laws and collect e-taxes from e-commerce users. Furthermore, the concealment associated with e-commerce complicates the tax base identification and its execution as a result of the lack of patriotism from the platform operators and users, leading to governments loss of tax revenues (Argilés-Bosch et al., 2020; Geys & Konrad, 2020; Josep, Ravenda, & Garcia- Blandón, 2020; Qari, Konrad, & Geys, 2012)

1.1.2 Determinants of Digital Service Tax Compliance

Tax compliance is the act of satisfactorily meeting one's tax obligations through the right procedure as stipulated by the laws of a certain jurisdiction. A prosperous tax compliance purposes at promoting self-willed compliance with taxation by use of sensible mechanisms such as taxpayers comprehension associated with experience plus knowledge, as a result, the degree of respect for taxation besides the awareness of tax compliance is affected (Mohd et al. 2013). There are several perspectives for which researchers investigate taxpayer's compliance. Sapiei et al (2014) studied a behavioral approach specifically on the dimensions of psychological behavior and sociology. It has been established by Trivedi, Shehata, & Lynn (2003) that psychologically, tax payer's decisions to report tax obligations are informed by

moral sentiments. Perception, emotional reaction, and attitude has been studied by fiscal psychologists and social psychologists through a psychological approach to determine how they affect tax decision of compliance (Alabede, Ariffin, & Idris, 2011; Bobek & Hatfield, 2003; Maroney, Rupert, & Anderson, 1998; McKerchar, Bloomquist, & Pope, 2013; Yusof & Lai, 2014; Vazquez & Togler, 2009).

Analysts have studied how social and cultural values affected tax compliance decisions. They also looked at how religiosity and reporting behavior affected decisions. Researchers who studied the criminological approach investigated how individuals evaded taxes. They found that the opportunity to avoid paying taxes was very attractive. Later in the 19th century, scholars tried to integrate non-economic factors such as social factors into their studies (Yaniv, 2009; Kirchler, Kogler, & Muehlbacher, 2014) to examine how taxpayers behaved towards compliance. In 2007, economist Robert Kirchler introduced the Slippery Slope framework (SSF) to study how taxpayers behave when it comes to tax compliance. The concept of the SSF explains how various factors such as social norms and the cost of detection can affect a person's behavior when it comes to tax evasion. The approach took the dimension of an individual's psychological perception. The principles of the Unified Theory of Acceptance including Use of Technology is the latest to have been used by researchers in studying tax compliance (Venkatesh et al, 2003). They argued the technology application can aid to enhance the usefulness of tax compliance.

1.1.3 E-Commerce Retailing in Kenya

No consensus has ever been reached on the correct definition of the term eCommerce. Many definitions have been used in different contexts: "The process of selling and buying both services and goods by way of a computer network connected to the internet devised in such a

manner that orders are placed and accepted online even though in some cases actual delivery are done physically (WTO, 2013). In another definition Kinuthia and Akinnusi (2014) defined it as a series of entrepreneurial activities performed using electronic and digital devices. Kyalo and Mutuku (2015) explained E-commerce to being “a mean of doing trade where entities carry out transactions on online platforms with their clients” It is obvious from the description given that the important eCommerce property match with the entire invention conciliated exchanges amongst participants of the commerce (Kabuba, 2012; Kinuthia & Akinnusi, 2014; Mutuku & Kyalo, 2015; Victoria, 2013; WTO, 2013).

There are various designs of e-Commerce, amongst the most popular entail: Business-to-Business (B2B eCommerce) refers to range of undertakings that are intense that occur between and this is the most popular (Kabuba, 2012). It enables its consumers to give commodities and supervisions to companies, example is sites that are independent of any organization of the business that is tasked with purchase management can let him know and give them an opportunity (Kabuba, 2012; Victoria, 2013). Business-to Government also Government-to-Business (B2G/G2B) shows the routes in the transaction of trade follow amid the sector of public and a company, Mirescu (2011) established that in the case that is basic, companies complete activities for the sector of public to benefit. While using G2B the organizations of public are 4 primarily sensitizing the private sector on the framework that are legal.

Kenya is 88th in rapidly upcoming economies of e-commerce globally based on the 2020 UNCTAD B2C Commerce Index, 4th Sub Saharan Africa (after Mauritius, South Africa, Nigeria) (UNCTAD, 2020). According to KNBS, Kenya has the capability of growth in e-commerce due to her huge population of 47.6 million whose median age is 20 years (KNBS

2019). Skygarden, Avechi, Cheki Kenya, Jumia, Jiji, Kilimall plus Masoko are among the topmost e-commerce platforms within Kenya. According to Statista (2021) the e-commerce market in Kenya is considered that it will attain \$1.7 billion in 2021. Based on the to the World Bank Financial Inclusion Data (2021), 72.9% of Kenyans apply mobile money while 26.1% pay bills and buy their items using digital platform.

Some of the fields with huge use of travel and accommodation, beauty and fashion, mobility, media and electronic. People also use a lot of money in personal care food. Thirteen percent of Kenyans are regular users in e-commerce. Over 100 online retails exist and stores owned by individual people (Business Daily, 2021).

1.2 Research Problem

A lot of challenges have been created by the rapid growth of eCommerce. The fact that eCommerce practitioners can conduct their businesses online presents them with an opportunity to avoid tax. The assumption is that authorities do not have sufficient ability to know their income level. This is due to the business of e-commerce being done online vary from others (Coupey, 2001). Mukti (2000) and Li (2004) stated that avoiding taxing this platform could have a major undesired impact on collection tax. Not only is tax a form of revenue for government but also a significant player to the development of a nation. A system of tax should always be neutral so that choices are done not only for tax but also for the economic reasons, this is according to the principle of neutrality.

According to Kenya ICT Action Network, tax policy experts are concerned with Kenya Revenue Authority's strategies of enforcing DST compliance among eligible entities as they are relying on the principle of trust. Most services offered by digital service providers are not

attached to their respective bank and mobile money accounts, thereby, making it easy for them to evade taxes (KICTANet, 2021). In addition, Kenyans are known to be crafty and will put efforts in circumventing tax laws in order to evade tax especially when they have the knowledge that the regulator relies on their goodwill to pay taxes. As the latest ways of taxing, in many parts globally, it is believed the DST will be hit many challenges.

Globally, Hamid et al (2018) research aimed to determine the determinants that impact the compliance to tax levels among SMEs engaging in online trading in Malaysia. Results revealed that tax compliance is highly affected by tax knowledge. Etim et al (2020) examined how tax compliance was affected by digitization of Nigeria's economy. The findings revealed that when the economy is digitized, tax compliance is affected negatively. Gangodawilage et al's (2021) study applied the approach of interpretative phenomenological to knowing better the compliance to tax in Sri Lanka among the micro multinationals' especially, to examine the level of compliance among the entrepreneurs in the economy of digital.

According to the belief in the trust of technology, and power of adopting the technology in compliance of tax, the research found that the compliance is required to be adapted by authorities of tax in the economy of digital. Raja et al (2021) studied taxation economy of digital compliance design in Malaysia using machine learning approach and found out that knowledge analysis enables learning of features that are meaningful and knowledge that is hidden that can group the taxpayers contexts that can affect the level of tax.

Previous local studies have found out the compliance to tax factors by owners of residential properties in Thika Town, include tax rate and tax knowledge, which were established to be usefully linked to compliance to tax (Waithira, 2016). Further to the findings (Lucinde, 2017)

advanced the same line of research by targeting residential estate proprietors within Nairobi and confirmed some of the findings by (Waithera, 2017) but additionally found out a positive impact of penalties, income as well as fines on the compliance of income tax of residents. Other scholars, such as Majiwa (2017) found that for taxpayers of corporate, the measures of enforcement had undesirable impacts on standard of adherence to tax, costs of compliance and a useful effect on nature of tax.

Of the studies that have attempted to delve into tax compliance determinants in the digital economy, none was conducted in Kenya thus findings cannot be generalized to the Kenyan context. The studies conducted in Kenya, studied residential property tax compliance, corporate and individual taxes, while little or none focused on digital service tax compliance among e-commerce players. It is not within the context that the current survey proposed this research concern: what factors are likely to affect DST compliance by e-commerce retailing establishments within Kenya?

1.3 Research Objectives

The objective of this study was to establish how selected determinants affect digital tax compliance by e-commerce retailing firms in Kenya.

1.4 Value of the Study

As the authorities of tax are continuing to apply technology to increase the compliance to tax, it is crucial to know that the online trading affect the decision of taxpayer to comply. KRA will be aided by the current research's results in terms of coming up with a remedy to enhance compliance to tax. The capability to know the compliance of the taxpayer will make sure that KR successfully collects the revenue.

As academicians, the findings will guide future researchers to empirically investigate the relationships among the study constructs and their contributions to understanding more about e-commerce retailer's behavior as relates to tax compliance. Likewise, results are expected to aid in adding to the existing studies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This segment highlights theoretical review guiding this research, idea of internet of things.it goes through the suggestions by different researchers on the determinants of tax compliance. Therefore, the chapter encompasses the concept of digital service tax compliance of e-commerce retailing firms. The empirical review as well as conceptual design is looked at.

2.2 Theoretical literature Review

The following theories guides the research; The Allingham-Sandmo (AST) Theory besides Fiscal Exchange Theory. These are discussed next.

2.2.1 Allingham-Sandmo Theory

Allingham and Sandmo are the proponents of AST. Also referred to as the economic deterrence theory and was originally developed in 1972. It assumes that multiple aspects which serves as predictors of tax evasion costs along with accrued benefits traditionally influences the taxpayers' behaviour (Alingham-Sandmo, 1972). The theory attempts to expound on the decision of the taxpayers in allowing only part of their income to be taxed while evading tax on the rest. Each individual taxpayer according to this model is logical also evaluates the advantages arising from evading taxes that is deliberated by the rate of tax alongside additional associated evasion costs, that is, fines besides penalties. From such a review, the several taxpayers concede on not paying in scenarios where the advantages of non-compliance exceed related costs of paying taxes (Walsh, 2012). According to Sandmo (2015), another assumption of the theory is that taxpayers tend to optimize on non-adherence tax gamble of awaited services by making sure that the advantages arising from tax evasion equalizes with fines plus sanctions of evading tax.

The survey harmonizes with the theory in the sense that, retailers conducting business in the digital space may evaluate the benefits they would accrue from tax evasion especially considering that there is perception that no concrete mechanisms have been put in place to track the amount of sales made online. The sector is not regulated, and the players are not even compelled by Kenya Information and Communications Act (KICA). To a great extent, KRA would rely on trust and voluntary declaration by the traders, thus the absence of solid enforcement measures could be a leeway for online traders to consider evasion as it offers them more benefits.

2.2.2 Fiscal Exchange Theory

The theory revolved from the social psychology and deterrence of economy models. Its basis is on the availability of a social, psychological contract or relational amongst government plus the citizens (McKeerchar & Evans, 2009). It is for the assumption that government expenditure has big role in the extent of adherence to tax policies set by the regime for taxpayers. Taxpayers tends to highly comply if only the government ensures existence of enhanced commodities that are public. The government is able to make sure that its people are willing to give more enhance commodities that are public from the revenue (Ali, Fjeldstad & Sjursen, 2013). Bargaining of tax between the government and its citizens is crucial in strengthening an association. The government is seen as the most important organ to strengthening a relationship of duties as well as accountability between society and state

In this investigation, the theory helped to find out the attitude and perceptions that online traders have regarding government expenditure. It will explore how well the government of Kenya has provided public goods and services such as security, education, infrastructure especially internet related such as fibre optics cables and to what extent online traders are

satisfied consequently impacting their attitudes and perceptions towards willingness to comply to the new digital service tax.

2.3 Empirical Literature Review

In this part an evaluation of associated research is highlighted. Hamid et al (2018) research aimed to examine determinants impacting the compliance to tax among Malaysia's Small and Medium Enterprises (SMEs) doing business online. The data was gathered using interviews with 6 owners of SMEs' which have activities of business of e-commerce. Findings showed that the knowledge of tax took part in a very crucial role in making sure that there is compliance to tax in Malaysia. Also, the participants stated that the Malaysian regulations and rules linked to tax were not simple to comprehend, also the tax was burdensome and high.

Raja et al (2021) studied economy linked to digital tax compliance design in Malaysia through approach of learning machine. The researchers conducted analytics of descriptive examine the data summary from Malaysia Inland Revenue Board of Malaysia better and early outlook. Using a description that is concise, the datum dissemination in a histogram indicated that data got can provide a picture that is clear in impacting the findings to group compliance to tax in economy of digital. it is proposed the analytics that are predictive as well as descriptive designs for forecasting the Malaysian economic compliance to economy of digital. in modelling of predictive, and single the approaches of ensemble are adopted to establish the model ha is the best and factor as that are crucial causing lack of compliance to tax payment among the retailers of economy of digital. The findings indicated that the techniques can enhance the single grouping accuracy of model with the grouping that is accurate that is 87.94% in comparison with design of classification.

Gangodawilage et al (2021) used the approach of interpretative phenomenological in knowing better the compliance to tax in Sri Lanka among the micro multinationals. The interview was gathered using semi-structured interviews and examined using thematic analysis. In spite of the study being carried out in Sri Lanka, the results provided the way forward for analysts in other nations to examine the compliance to tax in economy of digital among entrepreneurs. The results also recommended that there are two main strategies of compliance to tax; Enforced Compliance as well– Voluntary Compliance. This is relatable to Kirchler (2007) who established that voluntary compliance is enhanced when its citizens have no trust issue with the authority of tax. In a situation of lack of compliance to tax, the authority of tax is required to apply strategies to put in place the behavior of its citizens who pay the taxes. According to the perceived trust in technology in compliance to tax as well as the application of power, the research found that confirmatory compliance should be used by authorities of tax as a remedy in the economy of digital.

Etim et al (2020) study sought to determine how tax compliance was being affected by digitization of Nigeria's economy. The study used the strategy of survey and questionnaire that is structured to gather the relevant data. The data was obtained from the Federal Inland Revenue Service (FIRS) in Akwalbom State. The relevant data was gathered from the population of the forty (40) staff at the FIRS. Simple percentage, descriptive statistics including linear regression mechanisms were utilized for purposes of analyzing datum. The findings recommended that compliance to tax was impacted negatively during the economy digitization. It is suggested that the Nigerian government should come up with a policy of tax like e-transactions. By doing this, there will be more compliance to tax and therefore enhance compliance with tax as well as improving transactions of digital economy and revenue.

Waithira (2016) studied the aspects which influence the level of residential compliance of income tax among owners of property in Thika town. A descriptive research model was employed as well as information was collected using questionnaires from fifty eight property owners. Data analysis was performed using inferential statistics as well as descriptive. The results revealed a significantly useful linkage between tax knowledge, tax rate, and income of residential rental and residential rental income tax compliance. Contrary, notion along with attitude exhibited an insignificant positive relationship with the tax of income of residential rental. The research also established an unremarkable undesirable impact between fines, levels of income and penalties and tax compliance to rental income by owners of property.

Lucinde (2017) research, purposed to uncover the influence of several features concerned with tax compliance of residential income. It is mainly purposed at establishing the manner in which fine, tax knowledge, penalties, tax rates besides income levels sways compliance levels of income tax generated from residential properties by estate owners within Nairobi. The research applied descriptive survey model because it paid attention to influences of tax adherence predictors on working performance of Nairobi's land proprietors. Fiscal policy plus social influence are theories which anchored the investigation. Primary data was gathered using questionnaires that are semi-structured from a sample of 100 property owners and a multiple linear regression used for analysis with variables being: residential tax compliance being the dependent variable whereas the independent determinants entailed; fines & penalties, income levels, tax knowledge also rates of tax. The research results showed that residential rental tax of income compliance is positively affected by income levels, tax knowledge, fines & penalties also tax rates.

2.4 Conceptual Framework

In the above investigation, the independent factors were enforcement measures, attitude & perceptions, tax rate, tax knowledge and income level while the dependent variable was digital service tax compliance. A diagram to explain the linkage between the variables is given in Figure 2.1.

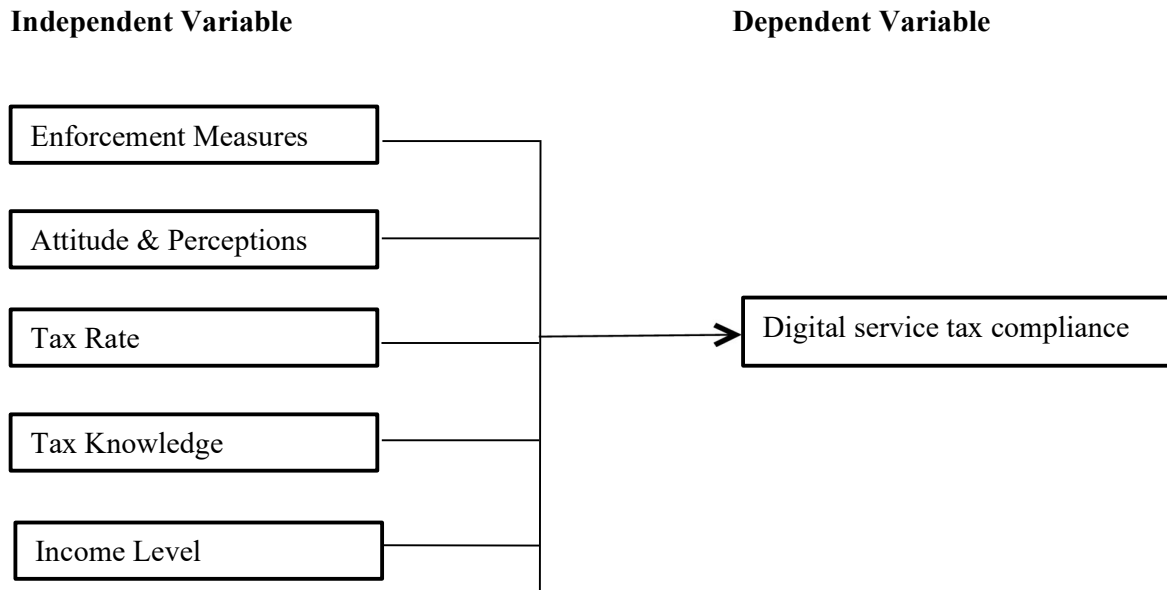


Figure 2.1: Conceptual Model

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section profiles study approach adopted. The chapter puts into consideration the design of research, population targeted, and instrument applied in the research, data collection techniques applied in sourcing the necessary datum, procedures of analysing the statistics.

3.2 Research Design

A cross-sectional descriptive study model was adopted in this study. The cross-sectional survey helps scholars to examine and further explain study determinants in a given specific point of time avoiding all manipulations (Kothari, 2004). This design is suitable for the study, since it assists gather significant information on factors that determine compliance levels of DST.

3.3 Target Population

This probe's target population was 100 e-commerce retailing firms in Kenya. Being a non-regulated sector, no regulatory body Kenya has been found that has a record of all the e-commerce retailing firms licenced and operating in Kenya. However, according to Business Daily (2021) there are more than 100 individual stores and online retail marketplaces in Kenya.

3.4 Sampling Technique

Non-probability sampling was utilized when selecting e-commerce firms that were respondents to the current study. The firms were selected using convenience and purposive sampling technique, a non-random method that does not consider underlying theories or a even given respondent numbers (Bernard 2002; Tongco, 2007). Since the sector is not

regulated and firms are not licensable under law, there exist no Authority with a comprehensive list of all e-commerce firms in Kenya. The e-commerce firms that are regarded as top players in the digital marketplace, according to Gadgets Kenya (2021) website, which list 100 of them, and served as the sample.

3.5 Data Collection

This is a document for data collection that is carefully modelled for purposes of providing feedbacks to the questions that are being researched (Nkapa 1997). This study therefore gathered primary data through carefully designed questionnaires where drop and pick later method was applied (Kothari, 2004). The questionnaire was the main instrument employed for gathering the relevant primary data. A questionnaire is preferred for data collection since it allows investigators reach a large population and further because it is economical. Moreover, a questionnaire is highly reliable, respondents end up giving almost identical feedbacks repeatedly when the survey is done again (Bryman & Bell, 2018; Saunders & Buckingham, 2017).

The questionnaire utilized in the study three sections, I, II and III. Part I focussed on general information of participants and the organization. Part II probed information on factors that affect tax compliance. Finally, Part III investigated details concerning the extent of tax compliance. Data collection entailed questions framed using 5-point Likert scale set-up. The interviewees during the study were the operations managers or their compeers; one from each entity. The managers received the electronic questionnaires via mails. The approach is preferred especially due to the prevalence of COVID-19 pandemic whereby both interactions that are virtual and social distancing are being encouraged. In addition, the researcher called

and sent email reminders so as to follow up with the respondents and finally have limited physical contacts if necessary.

3.6 Diagnostic Tests

Diagnostic tests enabled the researcher to identify the success of model employed to examine soundness and description of interaction between the predicted variable; financial distress level and predictor variables; liquidity, leverage, and profitability. Diagnostic tests that were utilized in this research included.

3.6.1 Multi-collinearity Test

This indicates that there is a type of very high inter-correlation between the variables that are independent. Variables that virtually have the same absolute correlation coefficient provide information that is comparable, and in order to eliminate the issue of multicollinearity, one of these variables should be eliminated in favour of the other. Another way to eliminate multicollinearity is by standardization of the variables exhibiting multicollinearity. According to Gujarati (2004), correlation coefficients that are lower than 0.8 demonstrate that the issue at hand is not significant and ought to be disregarded. On the other hand, if the correlation coefficient is larger than 0.8, it shows that there is a substantial degree of multi-collinearity and that it has to be corrected. In this case, the adjustment is necessary. The Variance Inflation Factor (VIF) were employed for the multi-collinearity investigation. Variables that are responsible for multicollinearity were standardized.

3.6.2 Normality Test

It is common practice to do a normality test to determine whether the standard errors are skewed in accordance with the conditional mean (Chmelarova, 2007). The Shapiro-Wilk test statistic was used for the examination. The skewness and kurtosis of a normal distribution are both zero, and they are close to three.

To successfully carry out a normalcy test, it is first essential to establish the null premise. Since the alternative premise asserts that the data did not originate from a normal distribution, the null premise must hold. If the J-B value is high, this suggests that the standard errors do not follow a normal distribution. On the other hand, if the value is low, the researcher should reject the null hypothesis since the data follows a normal distribution (Zikmund et al., 2012). Standardization is required for the data because it does not conform to the normal distribution.

3.6.3 Heteroscedasticity Test

In order to determine whether or not there will be a consistent change in the variance of the standard error term, a test of heteroscedasticity will be carried out. If the results do not correspond to the assumption, then the assumption has been shown to be incorrect. To achieve this, the statistician will use the white test, in which the total number of errors is represented as a function of the predictors included in the model and then regressed using the least ordinary square approach. This will ensure that the desired results are obtained. It is to be anticipated that there will be no heteroscedasticity in the model, in which case all of the coefficients will be equal to zero (Pesaran, 2004). When heteroscedasticity was discovered, robust standard errors were applied.

3.6.4 Autocorrelation

It is presumable that the linear regression model will have no autocorrelation (Roodman, 2006). It's possible that the autocorrelation will turn out to be positive or negative. If the value is positive, this shows that the standard errors are low, which in turn suggests that the estimates provided by the predictors are more accurate than they really are (Wang, 2017). The researcher has a tendency to disagree with the null hypothesis because they believe it to be false. Errors in the autocorrelation function led to inefficient coefficients, which in turn lead to inaccurate forecasts.

The Durbin-Watson d-statistic was used in this research of autocorrelation since autocorrelation is analogous to cross-dependence in panel data. This resemblance serves as a driving force for the implementation of this exam. If the results of the test are determined to be statistically significant, this would provide evidence that there is autocorrelation, which is also known as cross-sectional dependence (Pesaran, 2004). Data that was found to have cross-sectional dependencies had their analysis concluded by lag transforming the dependent variable once this discovery was made.

3.7 Data Analysis

Background information and factors affecting tax compliance were examined through descriptive statistics. To determine the association existing between these factors and tax compliance level, the study used the correlation and multiple linear regression analyses. The regression function embraced was: -

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon$$

Where:

Y = DST Compliance

α = the Y intercept when x is zero or the constant

β_{ij} = Regression Coefficients

X_1 = Enforcement measures

X_2 = Attitude and perceptions

X_3 = Tax rate

X_4 = Tax knowledge

X_5 = Income level

ε = the error term

3.7.1 Measurement of Variables

Digital service tax compliance was measured by the extent respondents observe tax compliance procedures. A five point Likert scale was used where 1 represented 'not at all' while 5 will represent 'to a great extent'. Respondent were asked whether they have acquired electronic tax register, whether they keep tax related records, whether they file their tax return, and whether they pay the taxes on time.

Enforcement measures were measured by asking respondents to what extent the administrative measures taken by KRA against taxpayers who default on their tax obligations affect their compliance levels. A likert scale was used and a sample question was "Fines and penalties discourage non-compliance with digital service tax obligations"

Attitude and perceptions measured the respondent's satisfaction level with adequate provision of services also goods by the government largely preferred by the citizens may inspire

adherence attitude. These encompassed state's delivery of basic health care, infrastructure such as fibre cabling, electricity, security, among others. Willingness to pay taxes was measured as well. A 5-point likert scale was applied to help with questions such as; "I believe it's the responsibility of the firm to work with the government through paying of digital service tax."

Tax rate is the legal rate that is lawful inflicted by government towards its citizens. The magnitude of how high or low the DST rate is perceived to be conducted. A sample question was "1.5% digital service tax rate on gross income is fair to online retailers." Tax knowledge, tax information including insights on process of filing will be weighed". The respondent were asked to what extent they know about DST, how familiar they are with the tax filing procedures, among others. This also employed a 5-point likert scale. Income level was measured by asking whether the amount of revenue earned would affect respondent's willingness to pay tax. Sample question included "Low digital market retail earners should not be taxed"

3.7.2 Test of Significance

The F and t test were adopted to establish statistical substantiality. The significance of regression model, which explained the extent of inconsistency in control variable as elaborated by variations in predictor variables, was determined using F-statistics. Total variations between and within the independent variables was determined using analysis of variance (ANOVA). The statistical substantiality of regression coefficients was established at a 0.05 level of significance using T-test.

CHAPTER FOUR: DATA ANALYSIS, RESULTS, AND INTERPRETATION

4.1 Introduction

This section covers discussions regarding analyses of data, its presentations including the survey outcomes' interpretations plus discussions. This chapter is classified into five clusters namely, rate of response, inferential statistics, interviewees' background plus entity traits, descriptive statistics alongside survey outcomes' interpretation and discussion. This segment precisely encapsulates the platform for data presentation, analyses, interpretation, along with discussion.

4.2 Response Rate

Rate of response in a study is as a result of dividing the respondents' overall feedbacks attained by the number of target interviewees. The rate is normally in stated in percentage form. Portrayed in Table 4.1 are the outcomes.

Table 4.1: Study Response Rate

Response	Frequency	Percentage
Returned	87	87%
Unreturned	13	13%
Total	100	100%

A hundred questionnaires as highlighted on Table 4.1 were sent to e-commerce retailing firms in Kenya. The current research outcomes indicate that findings exhibit that eighty-seven feedbacks out of the hundred sent questionnaires to the target managers were filled with ample facts then later sent back, as a result, the research was expressed to having attained 87% rate of response. This corresponds to the threshold stated by Mugenda and

Mugenda (2010), whereby a response rate with a minimum of 70% qualifies for analyses as well drawing conclusions.

4.3 Descriptive Statistics

A descriptive research model was embraced by the current research due to its ability of permitting results generalization, analyses alongside determinants interdependence. Amongst the determinants of digital service tax compliance utilized in the study were attitude plus perceptions, tax knowledge, income levels, tax rate besides enforcement measures. These were the predictor variables. The response variable was digital service tax compliance.

4.3.1 Tax Rate Descriptive Statistics

The research opted for an ordinal measurement scale in gauging the variable via a 5-pointed scale to quantify the opinion of the interviewee towards tax rate existing in the e-commerce industry. Consequently, tax rate descriptive statistics were obtained where the results are tabulated in Table 4.2.

The online retailers to a less extent perceive that 1.5% digital service tax rate is fair to online retailers. This is exhibited by a mean of 2.0460 alongside standard deviation of 0.98722. To a less extent, the online retailers are now paying willingly the digital service tax as a result of an effectively enacted tax rate. This is exhibited by a mean of 2.1839 plus a standard deviation of 0.90898. The online retailers moderately perceive that the calculation of tax basing on gross revenue is simple for them. This is affirmed by a mean of 2.5862 besides a 1.04048 standard deviation.

Table 4.2: Tax Rate Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
1.5% digital service tax rate is fair to online retailers	87	1.00	5.00	2.0460	.98722
Online retailers are now willingly paying digital service tax due to the well-structured tax rate	87	1.00	5.00	2.1839	.90898
The computation of tax on gross proceeds is simple for online retailers	87	1.00	5.00	2.5862	1.04048
A 1.5% digital service tax rate on gross receipts leads to tax rate that is lower than a 30% tax rate on net online retailing income	87	1.00	5.00	2.1954	1.04369
Aggregate Mean				2.2529	.99509
Valid N (listwise)	87				

The online retailers, to a less extent, perceive that a 1.5% digital service tax rate on gross receipts leads to tax rate that is lower than a tax rate of 30% on net online retailing proceeds. This is exhibited by a mean of 2.1954 plus a 1.04369 standard deviation. Overall, the online retailers, to a least extent, perceive the appropriateness of the current digital service tax rates. This is exhibited by the aggregate mean of 2.2529 including a 0.99509 standard deviation.

4.3.2 Attitude and Perceptions Descriptive Statistics

The research opted for an ordinal measurement scale in gauging the variable via a 5-pointed scale to quantify the interviewee's attitudes and perceptions towards digital service tax in the e-commerce industry. Consequently, attitude and perceptions descriptive statistics were obtained where the results are tabulated as below;

Table 4.3: Attitudes and Perceptions Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
The relationship between a digital service tax payer and the revenue authority affect desire of tax payers to be compliant	87	1.00	5.00	2.3908	1.63790
Remittance of digital service taxes is perceived by online retailers as contribution to economic growth	87	1.00	5.00	2.7011	.96587
Visible improvements in government spending encourages online retailers to be digital service tax compliant	87	1.00	5.00	2.1954	1.32804
The (KRA) is considered to be well planned in organizing the tax thus able to reach to the digital service tax non-compliant	87	1.00	5.00	2.8851	1.08290
Support from the government equal resource of public distribution influences your perception towards digital service tax compliance	87	1.00	5.00	2.8736	1.08697
Aggregate Mean				2.6092	1.22034
Valid N (listwise)	87				

Table 4.3 depicts that the online retailers to a less extent perceive that the nexus amid a digital service taxpayer along with KRA influences the compliance levels of the taxpayers. This is exhibited by a mean of 2.3908 and standard deviation of 1.63790. To a moderate extent, the online retailers perceive remittance of digital service taxes as contribution to economic growth. This is exhibited by a mean of 2.7011 and a standard deviation of 0.96587. The online retailers to a least extent perceive that enhanced also accountable government

expenses inspires them to comply with the digital service tax structure. This is exhibited by a mean of 2.1954 and a standard deviation of 1.32804.

The online retailers, to a moderate extent, perceive that the KRA is considered to be well planned in organizing the tax thus able to reach to the digital service tax non-compliant. This is exhibited by a mean of 2.8851 plus a standard deviation of 1.08290. Finally, the online retailers perceive to a moderate extent that support from the government equal resource of public distribution sways their attitudes towards digital service tax adherence. Overall, the online retailers have moderate attitudes and perceptions towards the appropriateness of the current digital service tax. This is exhibited by the aggregate mean of 2.6092 besides a 1.22034 standard deviation.

4.3.3 Income Level Descriptive Statistics

The research opted for an ordinal measurement scale in gauging the variable via a 5-pointed scale to quantify the player's attitudes and perceptions towards level of income in the e-commerce industry. Consequently, the level of income descriptive statistics were assembled while Table 4.4 depicts the results.

The outcomes in Table 4.4 assert that the online retailers to a great extent perceive that the digital service tax rate should change with level of online retailing proceeds. This is exhibited by a mean of 3.9885 plus standard deviation of 0.98234. To a great extent, the online retailers perceive that low online retail income earners should not be taxed. This is exhibited by a mean of 4.2989 alongside a standard deviation of 0.96587. The online retailers to a great extent perceive that the amount of tax charged on online retailing proceeds is higher if

charged on net gain in comparison to when based on gross income. This is exhibited by a mean of 4.3908 besides a standard deviation of 0.81206.

Table 4.4: Income Level Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Digital service ax rate should vary with level of online retailing income	87	1.00	5.00	3.9885	.98234
Low online retail income earners should not be taxed	87	1.00	5.00	4.2989	.96587
Tax on online retailing income is lower when based on gross income instead of net income	87	2.00	5.00	4.3908	.81206
Online retailers with income that are low are likely to fail to comply	87	1.00	5.00	3.7241	1.13803
Aggregate Mean				4.1006	.97456
Valid N (listwise)	87				

The online retailers, to a great extent, perceive that the online retailers with incomes that are low are likely to fail to comply. This is exhibited by a mean of 3.7241 and a standard deviation of 1.13803. Overall, the online retailers, to a great extent, perceive that income levels impact on the digital services tax. This is exhibited by the aggregate mean of 4.1006 including a 0.97456 standard deviation.

4.3.4 Enforcement Measures Descriptive Statistics

The research opted for an ordinal measurement scale in gauging the variable via a 5-pointed scale to quantify the player’s attitudes and perceptions towards enforcement measures of the digital services tax in the e-commerce industry. Consequently, the enforcement measures descriptive statistics were obtained and tabulated in Table 4.5.

Table 4.5: Enforcement Measures Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Based on your experience, it is easy to evade paying digital service tax	87	1.00	5.00	3.1954	1.53894
Fines and penalties are very punitive to online retailers	87	1.00	5.00	3.0460	1.31987
Fines and penalties discourage non-compliance with of digital service tax obligations	86	1.00	5.00	2.5581	1.26123
Online retailers file nil or incorrect returns to avoid penalties of non-compliance on the iTax system	87	1.00	5.00	2.1724	1.02534
Frequent waiver of penalties as well as fines can enhance compliance to tax	87	1.00	5.00	2.9195	1.31378
Aggregate Mean				2.7783	1.29183
Valid N (listwise)	86				

Table 4.5 highlights that the online retailers to a moderate extent perceive that based on your experience, it is easy to evade paying digital service tax. This is exhibited by a mean of 3.1954 also a standard deviation of 1.53894. To a moderate extent, the online retailers perceive that fines and penalties are extremely harsh on them. This is exhibited by a mean of 3.0460 and a standard deviation of 1.31987. The online retailers to a moderate extent perceive that fines and penalties constantly reminds them to adhere to the digital service tax deductions. This is exhibited by a mean of 2.5581 and a standard deviation of 1.26123.

To a least extent, the online retailers confirm filing incorrect besides nil returns on the iTax platform due to the fear of being penalized for non-compliance. This is exhibited by a mean of 2.1724 plus a standard deviation of 1.02534. Finally, the online retailer to a moderate extent perceives that frequent waiver of penalties as well as fines can enhance compliance to tax. This is exhibited by a mean of 2.9195 along with a 1.31378 standard deviation. Overall,

the online retailers, to a moderate extent, perceive that enforcement measures impact on the digital services tax. This is exhibited by the aggregate mean of 2.7783 including a 1.29183 standard deviation.

4.3.4 Tax Knowledge Descriptive Statistics

The questionnaire prompted the players in filling whether they are familiar of digital service tax. Table 4.6 presents the results.

Table 4.6: Digital Services Tax Awareness

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	26	29.9	29.9	29.9
	No	61	70.1	70.1	100.0
Total		87	100.0	100.0	

According to results in Table 4.6 above, 29.9% of the population under investigation confirmed being aware of digital services tax, while 70.1% were not aware.

The research opted for an ordinal measurement scale in gauging the variable via a 5-pointed scale to quantify the player's attitudes and perceptions towards knowledge of the digital services tax in the e-commerce industry. Consequently, the tax knowledge descriptive statistics were gathered while results were tabulated as follows.

As displayed in Table 4.7, the study findings affirm that the online retailers to a moderate extent, have enough mastery of rate of tax, taxation basis as well as conditions for compliance under digital service tax regime. This is exhibited by a mean of 3.2529 and standard deviation of 1.16358. To a moderate extent, the online retailers perceive that inability to adhere to the digital service tax was mostly as a result of improper documentation

of all the expenses. This is exhibited by a mean of 3.3908 and a standard deviation of 1.45759.

Table 4.7: Tax Knowledge Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Online retailers have enough mastery of rate of tax, taxation basis as well as conditions for compliance under digital service tax regime	87	1.00	5.00	3.2529	1.16358
Lack of proper records on expenses incurred greatly contributed to non-compliance of digital service tax	87	1.00	5.00	3.3908	1.45759
Knowledge about laws linked to the services of digital tax take part in a big role in examining online retailer's compliance to tax	86	1.00	5.00	3.4070	1.25911
Proper education on tax compliance can enhance perception and how people see online retailers regarding digital service tax compliance	86	1.00	5.00	3.0581	1.36644
Most digital service payers of tax know the iTax system	85	1.00	5.00	3.0824	1.26502
KRA has sensitized citizens on digital service tax	85	1.00	5.00	2.9176	1.31123
Aggregate Mean				3.1848	1.30383
Valid N (listwise)	84				

Findings in Table 4.7 reveal that the online retailers to a moderate extent perceive that knowledge about laws linked to the services of digital tax take part in a big role in examining online retailer's compliance to tax. This is exhibited by a mean of 3.4070 and a standard deviation of 1.25911. The online retailers to a moderate extent perceive that proper education

on tax compliance can enhance perception and how people see online retailers regarding digital service tax compliance. This is exhibited by a mean of 3.0581 and a standard deviation of 1.36644.

The online retailers stated that, to a moderate extent, most digital service payers of tax know the iTax system. This is exhibited by a mean of 3.0824 and a standard deviation of 1.26502. Finally, the online retailers to a moderate extent perceives that KRA has sensitized citizens on digital service tax. This is exhibited by a mean of 2.9176 and a standard deviation of 1.31123. Overall, the online retailers, to a moderate extent, perceive that tax knowledge augments compliance. This is exhibited by the aggregate mean of 3.1848 and a standard deviation of 1.30383.

4.3.5 Digital Service Tax Compliance Descriptive Statistics

The questionnaires prompted the players in stating whether they have registered their respective enterprises for digital service tax. Table 4.8 portrays the findings as follows.

Table 4.8: Digital Services Tax Registration

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	43	49.4	70.5	70.5
	No	18	20.7	29.5	100.0
	Total	61	70.1	100.0	
Missing	System	26	29.9		
Total		87	100.0		

The study established in Table 4.8 that 70.5% of the proportion of those surveyed and responded had registered their respective businesses for digital services tax, while 29.5% had not registered. However, 29.9% of those surveyed did not give their response to this question.

The research opted for an ordinal measurement scale in gauging the variable via a 5-pointed scale to quantify the interviewee’s attitudes and perceptions towards digital service tax compliance in the e-commerce industry. Consequently, the digital service tax compliance descriptive statistics were obtained while the results were tabulated as shown in Table 4.9.

Table 4.9: Digital Services Tax Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
We file digital service tax returns every month	87	1.00	5.00	3.1609	1.26559
We declare correct monthly online retailing income	87	1.00	4.00	2.5172	1.09822
We file digital service tax returns only to avoid penalties	87	1.00	5.00	3.0460	1.33737
KRA has offered an enabling environment for filing digital service tax	84	1.00	5.00	2.5714	1.18511
We file digital service tax returns on time and as required by law	87	1.00	5.00	3.1379	1.25913
KRA has created a lot of public awareness on digital service tax	87	1.00	5.00	2.8161	1.05134
Aggregate Mean				2.8749	1.19946
Valid N (listwise)	84				

As shown in Table 4.9 online retailers, to a moderate extent, stated that they file digital service tax returns every month. This is exhibited by a mean of 3.1609 and standard deviation of 1.26559. To a moderate extent, the online retailers stated that they declare correct monthly online retailing income. This is exhibited by a mean of 2.5172 and a standard deviation of 1.09822. The online retailers stated that, to a moderate extent, they file digital service tax returns only to avoid penalties. This is exhibited by a mean of 3.0460 and a standard deviation of 1.33737. The online retailers to a moderate extent perceive that the regulating

authority has enhanced platform for filing digital service tax. This is exhibited by a mean of 2.5714 plus a standard deviation of 1.18511.

The online retailers stated that, to a moderate extent, they file digital service tax returns as lawfully required as well as on timely basis. This is exhibited by a mean of 3.1379 and a standard deviation of 1.25913. Finally, the online retailer to a moderate extent perceives that the regulating authority has been training the public on matters of digital service tax. This is exhibited by a mean of 2.8161 and a standard deviation of 1.05134. Overall, the online retailers, to a moderate extent, comply with the digital services tax. This is exhibited by the aggregate mean of 2.8749 and a standard deviation of 1.19946.

4.4 Diagnostic Tests

Being a precursor to performing Linear Regression in order to verify absence of biasness in the estimates gathered during the survey, Diagnostic tests are carried out. This research settled for the following types of Diagnostic tests; homoscedasticity tests, normality tests, autocorrelation tests including multicollinearity tests. Shapiro Wilk test with the assistance of Kolmogorov-Smirnov test carried out the Normality test. With the help of Breusch-Pagan test, homoscedasticity test was performed. VIF along with Tolerance statistics tests evaluated the Multicollinearity of data assembled. Further tests were done using Durbin-Watson statistic in checking presence of autocorrelation in the probe. The elements making up several determinants were summed up making a whole variable. This was attainable through prediction of the median value of all the factors.

4.4.1 Normality Test

The research employed a 0.05 significance level while Table 4.10 portrays the normality tests for the entire variables utilized.

Table 4.10: Normality Test

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	Df	Sig.
Dig_Serv_Tax_Compl	.177	87	.000	.931	87	.000
Tax_Rate	.250	87	.000	.891	87	.000
Att_and_Perc	.239	87	.000	.880	87	.000
Inc_Level	.231	87	.000	.822	87	.000
Enforc_Msres	.216	87	.000	.893	87	.000
Tax_Knowldg	.192	87	.000	.916	87	.000

a. Lilliefors Significance Correction

When evaluating the presence of normality in datum, the assumption of null hypothesis is that data is normally distributed. On the other hand, alternate hypothesis asserts that datum is abnormally distributed. The significance values of all variables for both Shapiro-Wilk and Kolmogorov-Sminorv tests are below the α (0.05), this leads to rejection of the null hypothesis. Thus, there is lack of normal distribution among the data series. Standardization is a remedy for abnormal distribution of data; hence, the entire study variables were standardized to correct for non-normal distribution of data.

4.4.2 Test for Homoscedasticity

Displayed in Table 4.11 are the homoscedasticity tests for the entire independent attributes adopted during the study. Breusch-Pagan test aided with the assessments. There lacks a direct Breusch-Pagan test of heteroscedasticity in SPSS. Nevertheless, it can be carried out using an indirect technique. The residuals that were unstandardized were saved and in order to transform them they were squared. Consequently, the resulting attribute was regressed with

all the predictor variables gathered for purposes of this study. Breusch-Pagan test is confirmed by the resulting p-value output in the Analysis of Variance output. The survey employed a 0.05 significance level.

Table 4.11: Test for Homoscedasticity

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.375	5	1.075	1.245	.296 ^b
	Residual	69.941	81	.863		
	Total	75.316	86			

a. Dependent Variable: RES_1_SQ

b. Predictors: (Constant), Tax_Knowldg, Tax_Rate, Inc_Level, Att_and_Perc, Enforc_Msres

The null hypothesis is that the range of data adopted during the current survey do not exhibit heteroscedasticity. Consequently, the alternate hypothesis for the Breush-Pagan test for heteroscedasticity states that the range of data adopted in the current survey exhibit heteroscedasticity. A 2.96% significance value resulted from the outcomes which is above the α (0.05). As a result, the null hypothesis is accepted. Thus, the set of data of all the independent factors are rather homoscedastic instead of heteroscedastic.

4.4.3 Test for Multicollinearity

Table 4.12 shows the outcomes of tests for Multicollinearity of datum performed through Variance Inflation Factors (VIF) plus Tolerance.

Table 4.12: Multicollinearity Statistics

Model		Collinearity Statistics	
		Tolerance	VIF
1	Tax_Rate	.469	2.134
	Att_and_Perc	.416	2.406
	Inc_Level	.863	1.159
	Enforc_Msres	.332	3.009
	Tax_Knowldg	.341	2.929

a. Dependent Variable: Dig_Serv_Tax_Compl

The tolerance values according to the basic rule in statistics is that it ought to be above 0.1 while VIF values should be between the values 1 and 10, in order to indicate lack of multicollinearity. According to the results, the VIF value of the entire independent attributes adopted during the probe ranges between 1-10 whereas the tolerance value is beyond 0.1. Hence, the predictor variables employed did not have multicollinearity amidst them.

4.4.4 Tests for Autocorrelation

Table 4.13 portrays the autocorrelation test performed by use of Durbin-Watson Statistic.

Table 4.13: Autocorrelation Test

Model	Durbin-Watson
1	1.594 ^a

a. Predictors: (Constant), Tax_Knowldg, Tax_Rate, Inc_Level, Att_and_Perc, Enforc_Msres

b. Dependent Variable: Dig_Serv_Tax_Compl

The autocorrelation test was evaluated by use of Durbin Watson statistic. The values of Durbin Watson statistic lies amid 0-4. A Durbin Watson score of 2 is obtained if there is no autocorrelation. A Durbin Watson score of 0-2 shows positive autocorrelation, while values lie between 2-4, they indicate adverse autocorrelation. 1.5-2.5 Durbin-Watson scores are said to be normal, however there is need for concern for any other scores (Shenoy & Sharma, 2015). However, Field (2009) established that a Durbin Watson d-statistic that is greater than 3 and lesser than 1 is a show for concern. The Durbin Watson d-statistic obtained for this investigation is 1.594. Thus, the Durbin Watson statistic obtained for the current study meets the criteria set by Field (2009). Thus, there is no serial autocorrelation inherent in the current study.

4.5 Inferential Statistics

Strength, direction plus association amidst the predictor along with response attributes are established using Inferential statistics. Inferential statistics such as Regression as well as Correlation analyses adopted during this survey are discussed here.

4.5.1 Correlation Analysis

More than two attributes are evaluated for the presence of any linkage using Correlation Analysis. The relation lies amidst a perfectly positive in addition to a strongly negative correlation. The investigation utilized the Spearman's Pearson Correlation. Spearman's correlation is appropriate for ordinal data. A 95% confidence level was embraced during the current survey which also utilized a two tailed test. Portrayed in Table 4.16 are the results.

Table 4.14: Correlation Analysis

		Dig Serv Tax Compl	Tax Rate	Att and Perc	Inc Level	Enforc Msres	Tax Knowldg	
Spearman's rho	Dig_Serv_Tax_Compl	Correlation	1.000					
		Coefficient						
		Sig. (2-tailed)	.					
	Tax_Rate	Correlation	.117	1.000				
		Coefficient						
		Sig. (2-tailed)	.280	.				
	Att_and_Perc	Correlation	.008	.728**	1.000			
		Coefficient						
		Sig. (2-tailed)	.945	.000	.			
	Inc_Level	Correlation	-.095	.068	.200	1.000		
		Coefficient						
		Sig. (2-tailed)	.382	.529	.064	.		
	Enforc_Msres	Correlation	.366**	-.245*	-.393**	-.292**	1.000	
		Coefficient						
		Sig. (2-tailed)	.000	.022	.000	.006	.	
	Tax_Knowldg	Correlation	.375**	-.172	-.297**	-.354**	.778**	1.000
		Coefficient						
		Sig. (2-tailed)	.000	.111	.005	.001	.000	.

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

As displayed in Table 4.14, at the 5% significance level, the only significant correlation with digital service tax compliance is exhibit by enforcement measures and tax knowledge. Further, the current study findings reveal that they are both significantly positively correlated to digital service tax compliance. However, the current study findings additionally established that at the 5% significance level, tax rate, attitudes and perception, and income level individually did not have a significant correlation with digital service tax compliance.

4.5.2 Multiple Linear Regression

The determinants of digital tax compliance by e-commerce retailing firms in Kenya was determined using the multiple linear regression analysis maintaining a 5% level of significance. During this survey, the significance value obtained from the current research were compared with the ones shown in the ANOVA model. Additionally, the F-Value obtained in the current study was contrasted to the critical F-Value. More comparisons entailed the significance values extracted for the model coefficients with the significance value of 0.05. Further, the t values gathered during the current survey were contrasted with the critical t-values. Table 4.15 exhibits the findings. The fact that all the variables adopted during this survey had an abnormal distribution, there was standardization of attributes as a remedy for non-normal distribution of data.

The response variable deviates as shown by Co-efficient of Determination (R^2), this is caused by volatility of the predicting variables. Findings depicted in Table 4.17 exhibit that the R^2 score is 0.473, a revelation that the determinants of digital tax compliance by e-commerce retailing firms in Kenya, entailing; attitude and perceptions, tax knowledge, tax rate, enforcement measures along with income level cause 47.3% of the deflections in digital tax

compliance. Variations in digital tax compliance aggregating to 52.7% belongs to other attributes excluded in this model.

Table 4.15: Multiple Linear Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.473 ^b	.224	.176	.90761355		
Model	Sum of Squares		df	Mean Square	F	Sig.
1	Regression	19.275	5	3.855	4.680	.001 ^b
	Residual	66.725	81	.824		
	Total	86.000	86			
Model	Unstandardized Coefficients		Standardized Coefficients		T	Sig.
	B	Std. Error	Beta			
1	(Constant)	2.480E-16	.097		.000	1.000
	Zscore (Tax_Rate)	.195	.143	.195	1.365	.176
	Zscore (Att_and_Perc)	-.025	.152	-.025	-.165	.870
	Zscore (Inc_Level)	.013	.105	.013	.124	.901
	Zscore(Enforc_Msres)	.162	.170	.162	.952	.344
	Zscore(Tax_Knowldg)	.327	.168	.327	1.950	.055

a. Dependent Variable: Zscore (Dig_Serv_Tax_Cmpl)

b. Predictors: (Constant), Zscore (Tax_Knowldg), Zscore(Tax_Rate), Zscore(Inc_Level), Zscore(Att_and_Perc), Zscore(Enforc_Msres)

The null hypothesis is that the model entailing income level, tax rate, enforcement measures, attitude plus perceptions also tax knowledge, does not significantly influence digital tax compliance. The alternate hypothesis is that the model significantly influences digital tax compliance. The 0.001 significance value assembled in the current survey is below the critical value (α) of 0.05. As a result, there is rejection of the null hypothesis. Additionally, the F-Value extracted during this probe is (4.680) which is higher than the critical F-Value of 2.32726894, and the, is greater than the critical value. Hence, the null hypothesis is also rejected. Therefore, the model entailing enforcement measures, income level, tax rate, tax

knowledge alongside attitude & perceptions significantly influences digital tax compliance and thus, the model can significantly predict digital tax compliance.

The null hypothesis formulated for the model co-efficients was that there was absence of notable individual relation amidst each determinant of digital tax compliance and digital tax compliance. None of the determinants of digital tax compliance significantly influence digital tax compliance. This is caused by the study's critical significance value (α) of 0.05 being below all the variables significant values. Moreover, the T critical value assembled for the current study for a two-tailed test is ± 1.9879 . The T values of all the determinant of digital tax compliance fall within the range. This further retaliates the fact that none of the determinants of digital tax compliance significantly influence digital tax compliance.

Tax rate, income level, enforcement measures, and tax knowledge have a positive insignificant effect on digital tax compliance while attitude and perceptions have an adverse non-substantial impact with digital tax adherence.

4.6 Interpretation and Discussion of Findings

This survey endeavoured to find out the manner in which the opted attributes influences digital tax adherence by e-commerce retailing firms in Kenya. The current research mainly intended to unveil the impacts of the determinants of digital tax adherence entailing; tax knowledge, tax rate, attitude and perceptions, enforcement measures besides level of income on affect digital tax compliance by Kenyan based e-commerce retailing institutions.

The current survey findings determined that the current digital service tax rates, are to a least extent, appropriate. Further current survey findings unveiled that online retailers have

moderate attitudes and perceptions towards the appropriateness of the current digital service tax. Additional current study findings enumerated that income levels impact on the digital services tax to a great extent. Also, the current study findings highlighted that enforcement measures impact on the digital services tax to a moderate extent. The current study findings revealed that most of the online retailers were aware of digital services tax and that tax knowledge augments compliance to a moderate extent. Also, the outcomes showcased that majority of the online retailers have registered their respective businesses for digital services tax and that the online retailers, to a moderate extent, comply with the digital services tax.

Further findings were that that only enforcement measures and tax knowledge are substantially linked with a 0.05 significance level to digital tax compliance. Both of them exhibits a positive notable correlation with digital tax compliance. Although, the study findings enumerated that tax rates, attitude and perceptions, and income levels are not substantially linked with a 0.05 significance level to digital tax compliance. Further outcomes showed that determinants such as; income levels, attitude and perceptions, tax knowledge, enforcement measures besides tax rates, significantly affects digital tax compliance. The final results were that none of the determinants of digital tax compliance, in isolation, significantly influence digital tax compliance. Final study findings were that Tax rate, income level, enforcement measures, and tax knowledge have an insignificant but positive impact on digital tax compliance while attitude and perceptions are insignificantly along with adversely associated with digital tax adherence.

The Allingham-Sandmo theory developed by Allingham and Sandmo (1972) discusses the taxpayers' compliance as determined by multiple elements which serve as attributes of tax evasion costs besides accrued benefits. The theory further states that the absence of solid

enforcement measures could be a leeway for online traders to consider evasion as it offers them more benefits. The current study findings that enforcement measures exhibit a positive plus notable correlation but it is positively and insignificantly related to digital tax compliance partially agrees with the Allingham-Sandmo theory.

The Fiscal Exchange theory developed by McKerchar and Evans (2009) illustrates that how taxpayers' perception of how well the state delivers public commodities and services influences their tax compliance behaviour. Thus, how well the state offers public commodities and services such as security, education, infrastructure especially internet related such as fibre optics cables and to what extent online traders are satisfied consequently impact on their attitudes and perceptions towards willingness to comply to the new digital service tax. The current study findings that attitudes and perceptions do not have a significant positive correlation and also have a non-substantial nexus with digital tax adherence contradicts the Fiscal Exchange theory.

The fact that eCommerce practitioners can conduct their businesses online, it presents them with an opportunity to avoid tax. The assumption is that authorities do not have sufficient ability to know their income level. This is due to the business of e-commerce done online vary from others (Coupey, 2001). The current study findings that income level does not have a significant positive correlation and also has an insignificant positive relationship with digital tax compliance is not in sync with Coupey's (2001) assertion.

Hamid et al. (2018) research aimed to determine the determinants that impact the compliance to tax levels among SMEs engaging in online trading in Malaysia. The study results revealed that tax compliance is highly affected by tax knowledge. The current study findings that tax

knowledge has a significant positive correlation but has an insignificant positive relationship with digital tax compliance partially agrees with Hamid et al.'s (2018) assertion.

Raja et al (2021) studied taxation economy of digital compliance design in Malaysia using machine learning approach and found out that knowledge analysis enables learning of features that are meaningful and knowledge that is hidden that can group the taxpayers contexts that can affect the level of tax. This survey findings that tax knowledge has a notable positive correlation but has an insignificant positive relationship with digital tax compliance partially agrees with Raja et al's (2021) assertion.

Waithira (2016) established that compliance to tax factors by owners of residential properties in Thika Town, include tax rate and tax knowledge, which were established to be usefully linked to compliance to tax compliance. The current study findings that tax rate has an insignificant correlation and an insignificant positive relationship with digital tax compliance does not agree with Waithira's (2016) statement. Nevertheless, this investigation findings that tax knowledge has a positive as well as notable correlation but has an insignificant positive relationship with digital tax compliance partially agrees with Waithira's (2016) statement.

Lucinde (2017) established that compliance to tax factors by owners of residential properties in Nairobi include tax rate and tax knowledge, and enforcements had a positive significant association with compliance of income tax of residential. The current study findings that tax rate has an insignificant correlation and an insignificant positive relationship with digital tax compliance does not agree with Lucinde's (2017) statement. The outcomes of the current study unveils that tax knowledge has a positive plus substantial correlation but has an insignificant positive relationship with digital tax compliance partially agrees with Lucinde's

(2017) statement. Finally, the outcomes of this probe highlight that tax enforcement has a positive along with notable correlation but has an insignificant positive relationship with digital tax compliance partially agrees with Lucinde's (2017) statement.

Majiwa (2017) found that for corporate tax payers, the measures of enforcement had undesirable effect on level of compliance to tax. The current study finds that tax enforcement has a significant positive correlation but has an insignificant positive relationship with digital tax compliance partially agrees with Majiwa's (2017) statement.

Gangodawilage et al (2021) used the approach sought know better the compliance to tax in Sri Lanka among the micro multinationals. Gangodawilage et al (2021) found that for corporate taxpayers, the measures of enforcement significantly affected the level of tax compliance. The current study findings that tax enforcement has a significant positive correlation but has an insignificant positive relationship with digital tax compliance partially agrees with Gangodawilage et al's (2021) statement.

Kirchler (2007) established that voluntary compliance is enhanced when citizens have no trust issue with the authority of tax. In a situation of lack of compliance with tax, the authority of tax are required to apply strategies to put in place the behavior of its citizens who pay the taxes. According to the perceived trust in technology in compliance to tax as well as the application of power, the research found that confirmatory compliance should be used by authorities of tax as a remedy in the economy of digital. The current study finds that tax enforcement has a significant positive correlation but has an insignificant positive relationship with digital tax compliance partially agrees with Kirchler's (2007) finding. However, the current study findings that attitudes and perceptions do not have a significant

positive correlation and also have an insignificant negative relationship with digital tax compliance contradicts Kirchler's (2007) finding.

CHAPTER FIVE: SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

The segment covers a summary of outcomes already addressed in previous chapter is given along with drawn conclusions. Further, limitation that were experienced during the conduct of the current study are enumerated. Moreover, the policymakers plus core stakeholders are provided with recommendations. Lastly, the academicians are offered suggestions regarding on areas that can be addressed in future studies.

5.2 Summary

This study's intentions were in establishing how selected determinants affect digital tax compliance by e-commerce retailing firms within Kenya. The current research mainly purposed at unveiling the effects of the determinants of digital tax compliance entailing; income level, tax knowledge, enforcement measures, tax rate plus attitude & perceptions, on affect digital tax compliance by e-commerce retailing firms in Kenya. This was a cross-sectional kind of study, where a uniform time frame was used to assemble data that was applied in multiple units of analyses. The survey was conducted for the total target population of 100 e-commerce retailing firms in Kenya. The current research utilized a primary data. Closed-ended questionnaires were sent to personnel of the various e-commerce retailing firms which aided in extracting primary datum. The current study employed descriptive statistics to assess the presence or absence of the various predictors of digital tax adherence including the extent to which they impact on digital tax compliance. Linear regression analysis in addition to Correlation analysis were embraced during the investigation for purposes of identifying the impacts of each of the various determinants of digital tax compliance on digital tax compliance.

The current study findings established that the current digital service tax rates, are to a least extent, appropriate. Further current study findings revealed that online retailers have moderate attitudes and perceptions towards the appropriateness of the current digital service tax. Additional current study findings enumerated that income levels impact on the digital services tax to a great extent. Also, the current study findings highlighted that enforcement measures impact on the digital services tax to a moderate extent. The current study findings revealed that most of the online retailers were aware of digital services tax and that tax knowledge augments compliance to a moderate extent. The study findings further showcased that majority of the online retailers have registered their respective businesses for digital services tax and that the online retailers, to a moderate extent, comply to the digital services tax.

Further findings were that that only enforcement measures and tax knowledge are significantly correlated to digital tax compliance. They both have a notable also positive correlation with digital tax compliance. Although, the survey findings enumerated that tax rates, attitude and perceptions, and income levels are not significantly correlated to digital tax compliance. Additional findings were that the determinants entailing; tax knowledge, attitude and perceptions, tax rates, enforcement measures, and income levels significantly influence digital tax compliance. The final outcomes were that none of the determinants of digital tax compliance, in isolation, significantly influence digital tax compliance. Final study findings were that tax rate, income level, enforcement measures, and tax knowledge have a positive insignificant impact on digital tax compliance while attitude and perceptions are associated with digital tax compliance insignificantly along with adversely.

5.3 Conclusion

The conclusions of the current study were aligned to the objectives of the research. The current survey summarized by asserting that the current digital service tax rates in Kenya are not appropriate. Further current study conclusions are that Kenyan online retailers have moderate attitudes and perceptions towards the current digital service tax. Additional study findings are that most of the online retailers in Kenya are aware of digital services tax. According to the outcomes, the research summarized that the highest number of the online retailers in Kenya have registered their respective businesses for digital services tax and that the online retailers generally comply with the digital services tax.

The determinants of digital tax compliance according to the conclusions of the probe can be used to forecast digital tax compliance. However, none of the determinants of digital tax compliance, in isolation, can significantly influence digital tax compliance.

5.4 Recommendations for Policy and Practice

Future surveys to be carried out relating to tax compliance will be guided by the outcomes. The results will form a fundamental benchmark for further tax adherence researches in future in the various sectors of the economy. The current survey findings will also widen the horizon of not only the academician's knowledge of tax compliance, but also the scholarly community's and also aid the relevant tax authorities to gain experience in the subject matter. Future scholars keen on tax adherence studies will use the survey outcomes as referrals.

There are policy recommendations to government leaders alongside policy makers in the Treasury plus the board of the Kenya Revenue Authority to set optimal digital service tax rates so as to enhance compliance. Policy-makers are issued with further recommendations to

augment tax education geared towards changing the tax payers' attitudes and perceptions towards the current digital service tax. Final advises are provided to the policy-makers not to utilize any determinant of digital tax compliance in isolation but to utilize all of them in unison in order to augment digital tax compliance. Recommendations are made in order to advise state bodies during policy making along with measures of boosting and augment government tax collection.

Recommendations regarding policies are offered to consultants together with online retailer firms' management to comply with regards to digital tax as non-compliance can lead to high penalties as a result of enforcement. Additional recommendations are also given that they should try to gather tax knowledge to enable compliance to the digital tax.

5.5 Limitations of the Study

To further explore ideas and empirical results that had already been presented, the current study used a formal approach by using the deductive research technique, which was guided by relevant academic literature plus theories. In order to understand the study question, theories and existing empirical material must be used. However, previous research on the digital tax compliance are sparse.

The study was only conducted on the e-commerce online retailers sector because cost plus time were the limiting factors. It is unsure whether the current survey outcomes would hold if the same study was replicated to other sectors. Research was limited to the collection of taxes by the national government because of time and cost constraints. It is not certain if the current study findings would hold if county revenue collection was taken into account. Moreover, if the same surveys are repeated in various countries, additional uncertainties would emerge.

During the survey, closed-ended questionnaires were used as the main sources of primary data. Key set-backs such as failure of interviewees to give feedbacks besides lack of comprehending the questionnaires were experienced. Inability of utilizing raw statistics which called for use of SPSS to help with coding in order to attain a synchronized information that can be compiled along with drawing conclusions. Additionally, a lot of time was consumed in the process of compiling as well as re-occurring delays when synchronizing data.

5.6 Recommendations for Further Study

Some fields have been recommended for conduction of further future researches grounds being concrete statistics obtained besides in-depth explanations given in this investigation. First, there may be other determinants of digital tax compliance apart from levels of income, enforcement measures, attitude plus perceptions, tax knowledge including tax rate. Additional studies can be carried out for purposes of identifying along with analysing them. Moreover, there may be other factors which could be moderating, intervening besides mediating the linkage amidst the determinants and tax compliance. Extra deeper probes can be launched intending to recognize as well as scrutinize them.

This investigation was carried out in the e-commerce online retailers sector survey can be replicated in the different industries with the aim of determining whether the current study's results will hold. The current study results may not be applicable to devolved government units, thus more research is needed to see whether the study's conclusions would hold if they were applied to these government units revenue collection as well. The survey suggests further researches that are outside the borders of Kenya i.e some African countries or

universal regions to be carried out since they have distinct regimes from the Kenyan one, to determine if the conclusions from the survey will hold.

Research recommended subsequent surveys to be performed where this time secondary datum would be utilized since the current study applied primary datum only to appraise if the outcomes would hold. Additionally, stakeholders along with practitioners should be issued with extra primary sources such as focus groups besides structured interviews aiming at approving or disapproving this survey's outcomes. Additionally, the study's response can be the staff and management of the revenue collection authority in order to assess whether the current study findings would hold. Descriptive statistics, correlation analysis also multiple linear regression, were utilized during the current survey, the survey recommends extra techniques such as cluster analysis, cohort analysis, factor analysis, neural networks analysis, granger causality, content analysis, discriminant analysis, among others during further researches.

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APPENDICES

Appendix I: Research Questionnaire

I am a student pursuing a Degree in Masters of Business Administration, University of Nairobi and doing a study on the determinants of digital service tax adoption by online retailer in Kenya. This study is for the purpose of academic and any details collected will not be shared.

Will appreciate your aid.

PART I

Background information

Please tick and answer where needed

1. Gender:

Male Female

2.

Number of years in online retailing business

Below 3 years 4-6 years 7-9 years Above 10 years

PART II

Tax Rate

3. Examine below statements and tick where appropriate

Where: 1 – Strongly Agree, 2 – Agree, 3 – Neutral, 4 - Disagree or 5 - Strongly Disagree

Statement	1	2	3	4	5
1.5% digital service tax rate is fair to online retailers					
Online retailers are now willingly paying digital service tax due to the well-structured tax rate					
The computation of tax on gross proceeds is simple for online retailers					

A 1.5% digital service tax rate on gross receipts leads to tax rate that is lower than than a 30% tax rate on net online retailing income					
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Attitude and Perceptions

4. Examine below statements and tick where appropriate

Where: 1 – Strongly Agree, 2 – Agree, 3 – Neutral, 4 - Disagree or 5 - Strongly Disagree

Statement	1	2	3	4	5
The relationship between a digital service taxpayer and the revenue authority affects desire of taxpayers to be compliant					
Remittance of digital service taxes is perceived by online retailers as contribution to economic growth					
Visible improvements in government spending encourages online retailers to be digital service tax compliant					
The (KRA) is considered to be well planned in organizing the tax thus able to reach to the digital service tax non-compliant					
Support from the government equal resource of public distribution influences your perception towards digital service tax compliance					

Income Level

5. Based on the online retailing income levels evaluates the below statement and tick where appropriate

Where: 1 – Strongly Agree, 2 – Agree, 3 – Neutral, 4 - Disagree or 5 - Strongly Disagree

Statement	1	2	3	4	5
Digital service ax rate should vary with level of online retailing income					
Low online retail income earners should not be taxed					
Tax on online retailing income is lower when based on gross income instead of net income					
Online retailers with income that are low are likely to fail to comply					

Enforcement Measures

6. Examine below statements and tick where appropriate

Where: 1 – Strongly Agree, 2 – Agree, 3 – Neutral, 4 - Disagree or 5 - Strongly Disagree

Statement	1	2	3	4	5
Based on your experience, it is easy to evade paying digital service tax					
Fines and penalties are very punitive to online retailers					
Fines and penalties discourage non-compliance with of digital service tax obligations					

Online retailers file nil or incorrect returns to avoid penalties of non-compliance on the iTax system					
Frequent waiver of penalties as well as fines can enhance compliance to tax					

Tax Knowledge

7. Have you ever taken part in public awareness arranged by KRA or other organization on digital service tax?

Yes () No ()

8. Examine below statements and tick where appropriate

Where: 1 – Strongly Agree, 2 – Agree, 3 – Disagree and 4 - Strongly Disagree

Statement	1	2	3	4	5
Online retailers have enough mastery of rate of tax, taxation basis as well as conditions for compliance under digital service tax regime					
Lack of proper records on expenses incurred greatly contributed to non-compliance of digital service tax					
Knowledge about laws linked to the services of digital tax take part in a big role in examining online retailer's compliance to tax					
Proper education on tax compliance can enhance perception and how people see online retailers regarding digital service tax compliance					
Most digital service payers of tax know the iTax system					
KRA has sensitized citizens on digital service tax					

PART III

Digital service tax compliance

9. Is your business registered for Digital service tax? Yes [] No []

10. Examine below statements and tick where appropriate

Where: 1 – Strongly Agree, 2 – Agree, 3 – Neutral, 4 – Disagree or 5 -Strongly Disagree

Statement	1	2	3	4	5
We file digital service tax returns every month					
We declare correct monthly online retailing income					
We file digital service tax returns only to avoid penalties					
KRA has offered an enabling environment for filing digital service tax					
We file digital service tax returns on time and as required by law					
KRA has created a lot of public awareness on digital service tax					

I really thank you for your genuine support!!!